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> It is only when a tradition is bankrupt that its
>
> efficacy is unduly insisted upon.[1]

The Necessity for Enhanced Capability

Introduction

2.1　A number of the submissions received on *From Phantom to Force* questioned the necessity of some of the committee's recommendations. In particular, those recommendations that were not considered necessary were:

- The force restructuring recommended in Recommendations 3 and 5, with particular concern raised regarding Reserve restructuring;

- Recommendation 4, which detailed a requirement for ANAO audit of Army capabilities; and

- Recommendation 12, which outlined the need for an army capability enhancement project (ACEP) to oversee the force restructuring.

The Necessity for Force Restructuring

2.2　The submissions that raised concerns about restructuring centred on the following arguments and assumptions, which were more often implied than declared:

1　Holroyd, M, *Lytton Strachy: The Unknown Years 1880 – 1910,*Heinemann, London, 1967, p.45.

- The army has undergone too much change. What it needs to do now is consolidate and re-build;

- Restructuring unnecessarily attacks living tradition and history which, if destroyed, will impact on the fighting power and ethos of the army;

- Skeletal/hollow organisations are an effective method for force expansion;

- Restructuring of the Reserve will negatively impact on regional Australia; and

- Standardising brigades will limit the Army's capability options.

2.3   These themes will be dealt with in detail below.

More Change – The Cure is Worse than the Cold

2.4   In November 2000, the committee met with army officers in Townsville and Brisbane to discuss the report. A major theme in these discussions was a concern over further change through restructuring, particularly the Army Reserve.[2] These concerns were broadly in line with a number of written submissions received during the inquiry that criticised the number of reviews conducted into the ADF.[3]

2.5   The submissions argued that, over the previous ten years there has been no time to bed down change and adopt new structures before a new wave of change appeared. This has lowered morale and disillusioned personnel, particularly when the changes have been ill communicated and with no apparent dividend. In light of the history of reform in Defence, the committee was sympathetic of this argument.

2.6   The committee's main concern in this area, however, is the reality that, from approximately $3.5 billion invested annually, the army appears capable of fielding a maximum of three brigades, each with only two infantry battalions. Based on the recurrent cost for an ARA battalion and other Arms Corps units[4] this indicates that significant funds are locked into units that do not generate capability. History shows that the situation is unlikely to improve by leaving the Army to 'settle down'. In fact, it

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2   Committee discussion with Defence Groups on 20 November 2000 – HQ 11 Brigade and Deployable Joint Force HQ.

3   B K White, Submission 10.

4   Recurrent cost (personnel and operating costs) for a Infantry Battalion is approximately $46 million per year, CSS Battalions $45 million, Artillery Regiments $25 Million.   Figures received from Army August 2001.

could be argued that the perception of constant change within the army is driven by an aversion to necessary fundamental change.

2.7 For example, the Force Structure Review (FSR) imposed significant change on the army. FSR was designed to shed personnel to pay for operating costs. Yet FSR and the Defence Efficiency Review (DER) have not repositioned the army to avoid ongoing change, with much of the project cost savings being absorbed into personnel increases[5]. Rather they have placed the Army, and the ADF, in a position where economic reality will regularly precipitate further change, as personnel costs assume an increasingly larger proportion of the Defence budget and subsequently reduce capital expenditure. If the army wants to avoid a vicious cycle of destabilising change it must undergo fundamental restructuring rather than cosmetic change.

The Importance of Tradition and History

2.8 There was a strong and understandable concern expressed in the submissions about the impact of restructuring on history and tradition. The military is an organisation that is based on values. Many of these values are enshrined, and passed on, within the oral lore and rituals associated with unit histories. Both Regular and Reserve units have significant military histories.

2.9 The recommendations made within *From Phantom to Force* would inevitably require that many army units (both ARA and GRes) undergo merging, re-roling or be disbanded. Both oral and written submissions raised concerns that Australia, a relatively young country, should not throw away military tradition needlessly[6]. Additionally, they argued that a proud military tradition added to morale and therefore increased unit capability, although this increase could not be quantified.

2.10 The committee concedes that tradition is of significant importance to the Army and to the general community. What cannot be accepted however, is tradition <u>in place</u> of capability.

2.11 The impetus for the committee's recommendations was the need to derive maximum combat capability from the Army from the available funding. In the case of the majority of Reserve units, the committee found that they lacked both the trained personnel and equipment to deliver significant

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5   Woolner D, *Pressures on Defence Policy: The Defence Budget Crisis*, Research Paper 20, 1999/2000, Parliamentary Library, 11 April 2000, p. 11.

6   Visit to 13 Brigade by Mr Roger Price MP on 19 September 2000.

military capability in the short to medium term. The issues that must be addressed by the Australian community are:

- What is the veracity of the Army's claims of tradition, and what do they add to capability?

- To what extent should the nation pay a premium to maintain traditions at the expense of useable capability?

The Veracity and Utility of Tradition

2.12   Most units in the Army Order of Battle have a history of no more than 50 years. As many units were formed from personnel from previously existing units, some ARA units claim a lineage extending back further than 50 years. For instance, 3 RAR, an ARA battalion formed for Korea, claims lineage from the 67th Battalion of the 2nd AIF[7].

2.13   A similar situation exists for other units, such as the 31st Battalion, Royal Queensland Regiment (RQR). The battalion that bears this name has laid up its colours (ie: disbanded) on several occasions, the last being in 1976, when it was reorganised as an independent rifle company, before gaining battalion status on 30 October 1986[8]. There is no direct and continual lineage between the current battalion and the units which were first raised as independent rifle companies in 1881, and subsequently fought in the Boer War. This is not for any moment to suggest that 31 RQR, and other army units, should not honour and maintain the history of these units. It does indicate, however, that a continuous thread of history and tradition can and has been maintained despite disbandment, changes of designation and re-raising. It does not appear necessary for battalions to have been continually on the Army Order of Battle to maintain these traditions.

2.14   What cannot be accurately measured is the effect of this tradition on the capability of a unit. But, given the undeniable positive effect on morale and esprit de corps, particularly when put to the test in warfare, there may be much to commend military tradition. As stated by Napoleon 'Morale makes up three quarters of the game; the relative balance of man-power accounts only for the remaining quarter.'[9]

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7   *The Oxford Companion to Australian Military History*, Oxford University Press, Melbourne, 1995, p. 520

8   31 RQR Home Page, http://www.defence.gov.au/army/hq11bde/T31RQRHist.htm

9   Peter G Tsouras, *Warriors Words: A Quotation Book*, Arms and Armour Press, London, 1992, p. 270

2.15   The central issue to the committee is whether or not these units provide capability at all. Needlessly destroying tradition helps no cause, but neither does paying for the maintenance of units that exist only on paper.

Using Skeletal Structures for Force Expansion

2.16   *From Phantom to Force* asserted, but did not prove, that force expansion was highly dependent on equipment acquisition. Because of the lead times associated with equipment acquisition it may be more efficient and effective to achieve force expansion with new units, rather than fleshing out hollow units. The argument for maintaining skeletal structures[10] appears to be based on its utility in providing a leadership base.

2.17   However, the utility of the existing hollow units for creating leaders must be questioned. The reasons for this are:

- During East Timor the army drew very few of its leaders from the existing Reserve. It did, however, draw significant numbers of its private soldiers from the Reserves[11].

- Leadership development takes a long time as it is developed by <u>relevant</u> experience. Commanding under equipped and understaffed units that rarely undertake collective training is not necessarily a basis for <u>relevant</u> leadership development.

2.18   This argument would appear to have been accepted, as evidenced by the change in policy in use of the Reserve articulated in the Defence White Paper and subsequent initiatives by the Army[12].

The Impact on Regional Australia

2.19   There are significant economic and political concerns that arise from a rationalisation of the Army's force structure. The closure of depots:

- impacts on the amount of money coming into a community, particularly remote communities, and

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10   Discussed in *From Phantom to Force: Towards a More Efficient and Effective Army*, Report of the Joint Standing Committee on Foreign Affairs, Defence and Trade, Canberra, August 2000, pp. 116 - 118

11   There were a number of Reserve SNCO who took voluntary reduction in rank in order to deploy to East Timor.

12   Chief of Army presentation to the Defence Reserves Association 21 July 2001. Army intends to use Reserves to contribute to current capability by providing the capacity to surge and sustain forces on contemporary operational deployments.

- has the potential to isolate remote communities further from the defence forces.

These issues are reasonable concerns that must be addressed within any plan to rationalise the Army's force structure.

Financial Impact on Local Communities

2.20   The financial impact on local communities of closing depots will vary significantly. Communities benefit financially from depots through:

- local expenditure of both Regular and Reserve wages; and

- local expenditure by the army on goods and services needed by the depot.

2.21   In country towns, such as Mildura, wages of both Regular and Reserve staff contribute approximately $140,000[13] annually to the local economy. This represents approximately 0.02% of the after tax wages wealth of the greater Mildura community[14]. In smaller communities, the wage contribution from the Army is likely to be more significant.

2.22   It is anticipated that similar percentages would apply in terms of the purchase of goods and services in support of the depots – such as vehicle and building maintenance and cleaning services.

Isolation of Communities

2.23   There was some concern expressed in the submission that closure of Reserve depots within remote communities may have the potential to distance the ADF from society. This is premised upon the theory that the Reserve is, in many areas, the public face of the Army. On this basis, it might be argued that the Reserve, no matter what the cost, must be retained in these locations. The committee is not convinced that, given the immediate and wide media coverage of Army activities, and East Timor is an example, that the Reserve fulfils this role. In addition and most critically, does the maintenance of under-staffed and under-resourced Reserve depots represent the best way to meet both the army's and the community's aspirations?

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13   This is based on one ARA cadre staff on $80,000 (assumes allowances and medical); 30 reservists each undertaking 40 days training and receiving $80 dollars (Tax free). Hence total after tax is approximately 140,000

14   This assumes an employed population within 100km of Mildura of 18, 650 people on an average wage of $742 per week before tax. Average wage figures derived from the Sydney Morning Herald, 12 February 1999. Employment statistics derived from 1996 census data covering population within 100km of Mildura.

2.24   Retaining a Reserve depot requires good will and support from all parties concerned. If a community is not willing or able to support a base then there is little rationale for retaining it. The committee feels that community resources are better spent elsewhere.

The Standardisation of Brigades

2.25   In analysing the community response to *From Phantom to Force,* there was marked uncertainty on the committee's recommendations on force structuring. Some felt that capabilities, once added to the Army, should never be removed.[15] Others were concerned that the force structuring principles recommended by the committee would be too slavishly applied.[16] In discussions with serving army officers it was also suggested that the maintenance of mechanised, motorised and light brigades was necessary to provide the maximum number of capability options to the Government.[17]

2.26   The general reluctance to remove capabilities, even if they are notional, is understandable. This reluctance was noted by Professor Dibb in his statement to the committee in June 2000:

> I want to hear what we are going to take out of the force structure to compensate for the fact there will be, under any government, limited resource allocation. Frankly, very few commentators and still fewer politicians will tell us what we are going to take out of the force structure. …. . It is very difficult for the average Australian to be involved in that debate because the issue of costs and how you allocate costs to force element groups is a very complex issue. But at least we have to recognise there are limits to Australia's defence capacity and influence.[18]

2.27   The force structuring principles proposed in *From Phantom to Force* were based on achieving an army force structure capable of sustained mid-intensity conflict at the brigade level. It would appear, from some of the opinions received, that the necessity for sustaining brigade-sized forces at mid levels of intensity is not apparent.[19] A number of serving officers believe that a range of capabilities can be mixed and matched to suit operational needs as they arise, the inference being that brigades should

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15   Mr R Buick, Submission 1

16   C Gates (RSL), Submission 18, and Confidential Submission 20

17   20 November 2000 Defence groups – HQ 11 Brigade and Deployable Joint Force HQ.

18   P Dibb, Transcript of Defence Strategy Debate, 30 June 2000, p. 23

19   20 November 2000 committee discussion with Defence groups – HQ 11 Bde and Deployable Joint Force Headquarters

be 'task organised' with units as needs dictate.[20] Other officers appear to share this view.[21] Mr Michael O'Connor raised concerns about this approach in anything but the most low-level activities[22]. This suggested approach, if adopted, calls into question the Army's need to perform brigade level command post and field exercise training in other than peacekeeping/low-intensity scenarios. It also raises questions about what the army defines to be mid-intensity conflict and how it sees itself contributing to this level of conflict in any meaningful way with the existing force structure.

2.28   It is with some frustration that the committee has received these views from serving officers. Army's professional advice to the committee in June 1999 was that the army had a limited capability for force sustainment and mid-intensity conflict.[23] Without standardised brigade structures the committee cannot see how Army can rotate formations with similar capabilities through a major (brigade level) focal area anywhere in the region, as recommended by *From Phantom to Force* and outlined in the Defence White Paper.

2.29   The committee sees that to rectify this situation in a strategically meaningful way, requires that either:

- The defence budget be significantly increased to generate additional mechanised and motorised brigades;

- The existing brigades be standardised on a pattern that will allow them to reinforce and replace each other in mid-intensity operations; or

- The army retain the existing force structure but accept the following limitations:
    ⇒ the army will not commit to a mid-intensity engagement at greater than battalion level; and
    ⇒ the army will be limited, at the brigade level, to low-intensity operations (because it cannot rotate a standard brigade level force).

2.30   The last option has significant implications for Australia in terms of self reliance. Part of the pressure for Australia to increase its commitment to the war in South Vietnam centred on the limitations of battalion sized commitments to coalitions.[24] Within a coalition it is practicable to create

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20   P McIntosh, Submission 23.

21   D Chalmers, Submission 50 to *From Phantom to Force*

22   M. O'Connor, Transcript 22 February 2000, p.175

23   Australian Army, Submission 49 to *From Phantom to Force,* pp. 14-15

24   Frost F, Australia's War in Vietnam

brigade-sized forces which have a degree of national autonomy. However, battalions inevitably have to be integrated more tightly into the predominant logistic and command and control systems.

2.31 In essence, Australia would have to model its battalions very tightly on the equipment, organisation and procedures of another nation – possibly the United States. This tight integration with one foreign army will inevitably limit Australia's options to contribute battalions to other coalitions. Such a force structuring decision would strategically and diplomatically limit future Australian decision making.

2.32 The operations on East Timor identified difficulties with differences in capability and equipment between Army brigades. The committee feels that the current situation whereby Army has a light brigade (3 Brigade), a motorised brigade (7 Brigade) and a mechanised brigade (1 Brigade), with different manning and equipment presents real difficulties with rotation of forces. In large part, the committee feels that current differences in capabilities between brigades reflects more an inability to agree on a standard brigade structure and a desire to have a greater capability than can be adequately resourced, than a conscious effort to retain flexibility.

Auditing of Brigade Capabilities

2.33 Recommendation 4 of *From Phantom to Force* recommended broadly that Army report on the status of each brigade. On alternate years the Inspector General of the Department of Defence and the Australian National Audit Office would audit and report on the Army's capability for force expansion. A significant number of people were equivocal, or opposed to the need to audit regularly the capability of the army's brigades. Some respondents appeared concerned about the methodology that might be used:

> Quality cannot be inspected into a product.[25]

Others were concerned that the level of assessment was at the wrong level – ie: that readiness assessments should be done at unit level.[26] Still others queried whether the use of the ANAO on a recurring basis was the most appropriate way to report on capability.[27]

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25 R Copley, Submission 7
26 D Strain, Submission 25
27 Confidential Submission 20

2.34   The ANAO response to the report indicated that ANAO was very happy to help Defence review operational criteria and to assist Army in meeting the readiness criteria. However, it felt that Army periodic reporting was 'primarily a management responsibility'[28], and 'essentially a matter for Army and Defence rather than the Australian National Audit Office (ANAO).'[29] The committee accepts that the annual audit of capability is properly the responsibility of Defence rather than ANAO.

2.35   Nevertheless, the committee remained of the view, given the expenditures involved, that public reporting of capability achievement was important, and is concerned that annual reporting in the past has not identified the hollowness and lack of capability within a notionally large army.

2.36   Therefore, the committee recommends that recurrent reporting of Army capability be carried out by the Defence Inspector General, under appropriate guidelines and with support from ANAO. The ANAO should provide technical advice, help devise criteria for measurement, and conduct audits as required in support of the Defence Inspector General. In addition, ANAO should report to Parliament in 24 months on the efficacy of the Defence reporting program undertaken by the Inspector General.

The Need for an Army Capability Enhancement Project

2.37   Approximately 60% of recorded responses agreed with the concept of establishing an Army Capability Enhancement Project (ACEP). However, the 40% of respondents that disagreed, or were equivocal, are notable. The issues raised in these responses included:

- The fact that capability must be managed on a whole of Defence basis and therefore an Army project is unlikely to take into account the needs of the other services.

- The recommendation adds more externally sourced management to the Army and does not allow it to get on with business.

- One of the responses that agreed with the recommendation did so on the proviso that ACEP not be restricted to serving members of the Army or Department of Defence.

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28   P J Barrett, ANAO, Submission 5
29   ibid. p.1.

2.38   The committee's intention in recommending an ACEP was to ensure that a coordinated approach be taken to the implementation of the various recommendations in the report. Additionally, a project team adds benefit by providing a level of transparency to the process, a factor often lacking in Defence processes. While accepting the argument that capability needs to be managed jointly, the committee remains supportive of the establishment of a project team to coordinate these major changes to Army.

Conclusion

2.39   While cognisant of the issues raised in submissions regarding force restructuring, the committee does not feel there is sufficient evidence to change the intention of the force restructuring recommendations. Specifically, the committee is committed to an Army that provides a capability commensurate with the resources provided to it, and the committee reiterates its concern regarding units that do not provide capability.

2.40   Tradition and history are important to both the Army and to Australia, but as stated on several occasions, the committee cannot accept tradition in place of capability. While some changes are occurring within Army relating to reroling and restructuring of the Army Reserve, the committee would need to be convinced that this is more than window dressing of the same situation.

2.41   The committee remains firmly of the opinion that auditing of Army capability is imperative. It is cognisant of the ANAO comment and believes that reporting of capability is best carried out by the Inspector General of Defence, supported by the ANAO as required. The ANAO should report to Parliament in 24 months on the efficacy of the Defence reporting program undertaken by the Inspector General.

2.42   The committee continues to believe that an ACEP project office is the best mechanism for ensuring the recommendations in this report are carried out suitably.